

SAC COUNTY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2006

NEWS RELEASE

FOR RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on Sac County, Iowa.

The County had local tax revenue of \$12,473,774 for the year ended June 30, 2006, which included \$850,175 in tax credits from the state. The County forwarded \$8,729,635 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,744,139 of the local tax revenue to finance County operations, a seven percent decrease from the prior year. Other revenues included charges for service of \$1,142,991 operating grants and contributions of \$3,228,889, capital grants and contributions of \$524,014, local option sales tax of \$120,051, unrestricted investment earnings of \$152,678 and other general revenues of \$208,306.

Expenses for County operations totaled \$9,507,082, a nineteen percent increase from the prior year. Expenses included \$3,607,025 for Roads and Transportation, \$1,430,187 for Mental Health, and \$1,816,076 for Public Safety.

A copy of the audit report is available for review in the office of the Auditor of the State and the County Auditor's office.

SAC COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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SAC COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Hecht	Board of Supervisors	Jan. 2007
Dean Stock	Board of Supervisors	Jan. 2007
Jack Bensley	Board of Supervisors	Jan. 2009
James W. Dowling	County Auditor	Jan. 2009
Vicki Peyton	County Treasurer	Jan. 2007
Linda Siebrecht	County Recorder	Jan. 2007
Ken McClure	County Sheriff	Jan. 2009
Earl Hardisty	County Attorney	Jan. 2007
Robert Hawks	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Sac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 13 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America requires that capital assets be recorded and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sac County at June 30, 2006, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the County as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2006, on our consideration of Sac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sac County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004, (which are not presented herein) and expressed qualified opinions on those financial statements, because the general fixed asset account group was omitted. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005, (which is not presented herein) and expressed a qualified opinion on those financial statements, because capital assets were omitted. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 21, 2006

Hungelman, Putzier & Co.

SAC COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 3,697,101
Receivables:	
Property tax:	
Delinquent	6,098
Succeeding year	3,678,463
Interest and penalty on property tax	15,637
Accounts	466,672
Accrued interest	42,777
Drainage assessments	6,344
Due from other governments	252,141
Inventories	863,673
Prepaid	50,000
Total assets	<u>9,078,906</u>

LIABILITIES

Accounts payable	863,068
Accrued interest payable	54,124
Salaries and benefits payable	27,790
Deferred revenue:	
Succeeding year property tax	3,678,463
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	400,000
Compensated absences	127,252
Portion due or payable after one year:	
Drainage warrants/drainage improvement certificates payable	289,061
Total liabilities	<u>5,439,758</u>

NET ASSETS

Restricted for:	
Supplemental levy purposes	199,327
Mental health purposes	(111,790)
Secondary roads purposes	2,025,513
Drainage district purposes	(238,790)
Debt service	(6,037)
Capital projects	(317,055)
Other purposes	372,258
Unrestricted	<u>1,715,722</u>
Total net assets	<u>\$ 3,639,148</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$1,816,076	\$ 571,800	\$ 54,458	\$ 120,000	\$ (1,069,818)
Physical health and social services	484,304	174,077	222,023	-	(88,204)
Mental health	1,430,187	8,477	734,538	-	(687,172)
County environment and education	669,501	37,996	4,697	-	(626,808)
Roads and transportation	3,607,025	115,718	2,213,173	296,342	(981,792)
Governmental services to residents	291,919	199,350	-	-	(92,569)
Administration	1,051,306	35,573	-	-	(1,015,733)
Non-program	150,583	-	-	107,672	(42,911)
Interest on long-term debt	6,181	-	-	-	(6,181)
Total	<u>\$9,507,082</u>	<u>\$ 1,142,991</u>	<u>\$ 3,228,889</u>	<u>\$ 524,014</u>	<u>(4,611,188)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					3,495,495
Penalty and interest on property tax					31,369
State tax credits					248,644
Local option sales tax					120,051
Grants and contributions not restricted to specific purpose					165,394
Unrestricted investment earnings					152,678
Miscellaneous					<u>11,543</u>
Total general revenues					<u>4,225,174</u>
Change in net assets					(386,014)
Net assets beginning of year					<u>4,025,162</u>
Net assets end of year					<u>\$ 3,639,148</u>

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

Exhibit C

	Special Revenue						
	General	Mental Health	Rural Services	Secondary Roads	Capital Projects	Nonmajor	Total
<u>ASSETS</u>							
Cash and pooled investments	\$ 1,515,389	\$ 194,061	\$ 70,159	\$ 1,399,575	\$ 434	\$ 423,654	\$ 3,603,272
Receivables:							
Property tax:							
Delinquent	4,947	1,016	135	-	-	-	6,098
Succeeding year	2,151,492	439,171	1,031,250	-	-	56,550	3,678,463
Interest and penalty on property tax	15,637	-	-	-	-	-	15,637
Accounts	225,417	64,463	-	176,792	-	-	466,672
Accrued interest	42,015	-	-	-	-	762	42,777
Drainage assessments	-	-	-	-	-	6,344	6,344
Due from other governments	130,451	964	-	-	120,000	726	252,141
Inventories	-	-	-	863,673	-	-	863,673
Prepaid	50,000	-	-	-	-	-	50,000
Total assets	<u>\$ 4,135,348</u>	<u>\$ 699,675</u>	<u>\$ 1,101,544</u>	<u>\$ 2,440,040</u>	<u>\$ 120,434</u>	<u>\$ 488,036</u>	<u>\$ 8,985,077</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 60,668	\$ 362,850	\$ 5,164	\$ 360,167	\$ 37,489	\$ 22,504	\$ 848,842
Interest payable	-	-	-	-	-	47,943	47,943
Salaries and benefits payable	24,112	-	3,496	182	-	-	27,790
Deferred revenue:							
Succeeding year property tax	2,151,492	439,171	1,031,250	-	-	56,550	3,678,463
Other	20,115	965	103	-	-	6,344	27,527
Total liabilities	<u>2,256,387</u>	<u>802,986</u>	<u>1,040,013</u>	<u>360,349</u>	<u>37,489</u>	<u>133,341</u>	<u>4,630,565</u>
Fund balances:							
Reserved for:							
Supplemental levy purposes	199,327	-	-	-	-	-	199,327
Inventories	-	-	-	863,673	-	-	863,673
Drainage warrants	-	-	-	-	-	(51,588)	(51,588)
Future expenditures	-	-	-	-	-	95,515	95,515
Debt service	-	-	-	-	-	144	144
Unreserved, reported in:							
General fund	1,679,634	-	-	-	-	-	1,679,634
Special revenue funds	-	(103,311)	61,531	1,216,018	-	310,624	1,484,862
Capital projects fund	-	-	-	-	82,945	-	82,945
Total fund balances	<u>1,878,961</u>	<u>(103,311)</u>	<u>61,531</u>	<u>2,079,691</u>	<u>82,945</u>	<u>354,695</u>	<u>4,354,512</u>
Total liabilities and fund balances	<u>\$ 4,135,348</u>	<u>\$ 699,675</u>	<u>\$ 1,101,544</u>	<u>\$ 2,440,040</u>	<u>\$ 120,434</u>	<u>\$ 488,036</u>	<u>\$ 8,985,077</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit D

Total governmental fund balances	\$4,354,512
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	27,527
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, and drainage warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(822,494)
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	<u>79,603</u>
Net assets of governmental activities	<u>\$3,639,148</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Exhibit E

	<u>Special Revenue</u>						
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:							
Property and other County tax	\$2,239,738	\$ 435,363	\$ 939,143	\$ -	\$ -	\$ -	\$3,614,244
Interest and penalty on property tax	27,760	-	-	-	-	-	27,760
Intergovernmental	545,153	925,347	62,997	2,509,515	120,000	4,697	4,167,709
Licenses and permits	6,003	-	-	17,322	-	-	23,325
Charges for service	815,039	90	5,095	25,236	-	8,761	854,221
Use of money and property	159,759	-	-	-	-	2,177	161,936
Miscellaneous	2,032	-	-	10,753	-	116,387	129,172
Total revenues	<u>3,795,484</u>	<u>1,360,800</u>	<u>1,007,235</u>	<u>2,562,826</u>	<u>120,000</u>	<u>132,022</u>	<u>8,978,367</u>
Expenditures:							
Operating:							
Public safety and legal services	1,377,462	-	-	-	-	8,313	1,385,775
Physical health and social services	492,304	-	-	-	-	-	492,304
Mental health	-	1,429,582	-	-	-	-	1,429,582
County environment and education	331,516	-	332,716	-	-	-	664,232
Roads and transportation	-	-	-	3,070,354	-	-	3,070,354
Governmental services to residents	296,434	-	-	-	-	4,046	300,480
Administration	941,489	-	-	-	-	-	941,489
Non-program	-	-	-	-	-	150,583	150,583
Capital projects	-	-	-	551,802	437,055	4,795	993,652
Total expenditures	<u>3,439,205</u>	<u>1,429,582</u>	<u>332,716</u>	<u>3,622,156</u>	<u>437,055</u>	<u>167,737</u>	<u>9,428,451</u>
Excess (deficiency) of revenues over expenditures	<u>356,279</u>	<u>(68,782)</u>	<u>674,519</u>	<u>(1,059,330)</u>	<u>(317,055)</u>	<u>(35,715)</u>	<u>(450,084)</u>
Other financing sources (uses):							
Operating transfers in (out)	(71,583)	-	(730,498)	802,081	-	-	-
General obligation note proceeds	-	-	-	-	400,000	-	400,000
Drainage district warrants	-	-	-	-	-	26,054	26,054
Total other financing sources (uses)	<u>(71,583)</u>	<u>-</u>	<u>(730,498)</u>	<u>802,081</u>	<u>400,000</u>	<u>26,054</u>	<u>426,054</u>
Net change in fund balances	284,696	(68,782)	(55,979)	(257,249)	82,945	(9,661)	(24,030)
Fund balances, beginning of year	<u>1,594,265</u>	<u>(34,529)</u>	<u>117,510</u>	<u>2,336,940</u>	<u>-</u>	<u>364,356</u>	<u>4,378,542</u>
Fund balances, end of year	<u>\$1,878,961</u>	<u>\$ (103,311)</u>	<u>\$ 61,531</u>	<u>\$2,079,691</u>	<u>\$ 82,945</u>	<u>\$ 354,695</u>	<u>\$4,354,512</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Exhibit F

Net change in fund balances - Total governmental funds \$ (24,030)

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Some revenues will not be collected for several months after the
 County's year end and, therefore, they are not considered available
 revenues and are deferred in the governmental funds as follows:

Property tax	\$ 1,302	
Other	<u>(1,519)</u>	(217)

Proceeds from issuing long-term liabilities provide current financial resources to
 governmental funds, but issuing debt increases long-term liabilities in the Statement
 of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year issues exceeded repayments as follows:

Issued general obligation	(400,000)	
Issued drainage district warrants	(26,054)	
Repaid	<u>1,014</u>	(425,040)

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in governmental funds, as follows:

Compensated absences	(10,153)	
Interest on long-term debt	<u>(6,177)</u>	(16,330)

The Internal Service Fund is used by management to charge the costs of
 employee health benefits to individual funds. The change in net assets of
 the Internal Service Fund is reported with governmental activities

79,603

Change in net assets of governmental activities \$ (386,014)

See notes to financial statements.

SAC COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

Exhibit G

	Internal Service- Employee Group <u>Health</u>
Assets:	
Cash	\$93,829
Liabilities:	
Accounts payable	<u>14,226</u>
Net assets:	
Unrestricted	<u>\$79,603</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

Exhibit H

Internal
Service-
Employee
Group
Health

Operating revenues		
Reimbursements from employees	\$ 28,923	
Reimbursements from operating funds	<u>154,706</u>	<u>\$183,629</u>
Operating expenses:		
Insurance premiums	87,833	
Administrative fees	<u>18,308</u>	<u>106,141</u>
Operating income		77,488
Non-operating revenues:		
Interest income		<u>2,115</u>
Net income		<u>79,603</u>
Net assets beginning of year		<u>-</u>
Net assets end of year		<u>\$ 79,603</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

Exhibit I

Internal
Service-
Employee
Group
Health

Cash flows from operating activities:	
Cash received from employees	\$ 28,923
Cash received from operating fund reimbursements	168,281
Cash payments to suppliers for services	<u>(105,490)</u>
Net cash provided by operating activities	91,714
 Cash flows from investing activities:	
Interest on investments	<u>2,115</u>
 Net increase in cash and cash equivalents	93,829
 Cash and cash equivalents, beginning of year	<u>-</u>
 Cash and cash equivalents, end of year	<u>\$ 93,829</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 77,488
Adjustments to reconcile operating income to net cash provide by operating activities:	
Increase in accounts payable	<u>14,226</u>
 Net cash provided by operating activities	<u>\$ 91,714</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2006

Exhibit J

ASSETS

Cash and pooled investments:	
County treasurer	\$ 544,255
Other county officials	40,069
Receivables:	
Property tax:	
Delinquent	27,126
Succeeding year	8,172,942
Accounts	21,887
Due from other governments	263
Total assets	<u>8,806,542</u>

LIABILITIES

Accounts payable	14,343
Salaries and benefits payable	1,326
Due to other governments	<u>8,790,873</u>
Total liabilities	<u>8,806,542</u>

Net Assets	<u>\$ -</u>
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See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sac County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sac County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Sac County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred ninety-nine drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Sac County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Sac County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in Agency Funds of the County.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004, assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represent assessments which are payable but not yet due.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid - The prepaid represents a down payment on a new ambulance to be delivered after year end.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide or fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, and Secondary Roads Funds.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Long-term liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation, or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets - The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any function, however, disbursements in certain departments exceeded the amounts appropriated.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2006, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$35,927 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 71,583
	Special Revenue:	
	Rural Services	<u>730,498</u>
Total		<u>\$802,081</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Trust and Agency: County Assessor	Collections	\$ 252,193
Schools		5,538,869
Community Colleges		295,190
Corporations		1,973,251
Trust and Agency: Townships		182,589
Auto License and Use Tax		218,254
Agricultural Extension		128,850
All other		<u>201,677</u>
Total		<u>\$8,790,873</u>

5. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006, is as follows:

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Drainage Warrants</u>	<u>Total</u>
Balance, beginning of year	\$ 1,014	\$117,099	\$263,007	\$381,120
Increases	400,000	10,153	102,960	513,113
Decreases	<u>(1,014)</u>	<u>-</u>	<u>(76,906)</u>	<u>(77,920)</u>
Balance, end of year	<u>\$400,000</u>	<u>\$127,252</u>	<u>\$289,061</u>	<u>\$816,313</u>
Due within one year	<u>\$400,000</u>	<u>\$127,252</u>	<u>\$ -</u>	<u>\$527,252</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

5. CHANGES IN LONG-TERM LIABILITIES - (Continued)

Note Payable

A summary of the County's June 30, 2006, notes payable is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.00%	<u>\$400,000</u>	<u>\$6,181</u>	<u>\$406,181</u>

During the year ended June 30, 2006, the County borrowed \$400,000 for the construction of a communications center.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

6. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$166,566, \$159,639, and \$156,740 respectively, equal to the required contributions for each year.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

7. RISK MANAGEMENT

Sac County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006, were \$136,603.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

7. RISK MANAGEMENT - (Continued)

withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Group Services, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$2,000 for single coverage and \$4,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Group Services, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$154,706.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$14,226, which is for incurred but not recorded (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2006, the County has accumulated funds in excess of actual claims paid of \$79,603, which is reported as net assets of the Internal Service, Employee Group Health Fund.

9. CONSTRUCTION COMMITMENT

The County entered into the following contracts prior to June 30, 2006, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Cost Incurred as of 6-30-06</u>	<u>Remaining Commitment as of 6-30-06</u>
Communications center addition	\$486,482	\$429,078	\$ 57,404
Drainage district #81 repairs	146,518	-	146,518
Cedar 10 west bridge replacement	<u>282,692</u>	<u>-</u>	<u>282,692</u>
	<u>\$915,692</u>	<u>\$429,078</u>	<u>\$486,614</u>

The balances remaining at June 30, 2006, will be paid as work on the projects progresses.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

10. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2006, \$53,228 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency for compliance with these requirements have been estimated at \$732,414 according to the Agency's latest audit report available, which was for the year ended June 30, 2005.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

11. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the accrual basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2006, is summarized as follows:

Net assets, beginning of year	\$293,928
Revenues	896,030
Expenses	<u>(765,583)</u>
Net assets, end of year	<u>\$424,375</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

12. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$2,400,000 is outstanding at June 30, 2006. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

13. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

14. OPERATING LEASE

The County has entered into a lease agreement for a postage machine. Rental expense incurred for this lease was \$6,984 for the year ended June 30, 2006. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2007	\$ 6,984
2008	6,984
2009	<u>5,238</u>
Total minimum lease payments	<u>\$19,206</u>

15. DEFICIT FUND BALANCE

The Special Revenue - Mental Health fund had a deficit balance of \$103,311 at June 30, 2006. The deficit balance was a result of accounts payable as of June 30, 2006.

16. ACCOUNTING RESTATEMENTS

Beginning general fund balance has been restated to reflect a change in ambulance revenue. This restatement is summarized below:

General fund balance June 30, 2005, as previously reported	\$1,395,936
Restatement of ambulance revenue	<u>198,329</u>
Restated general fund balance June 30, 2005	<u>\$1,594,265</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAC COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES - BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 3,572,512	\$ -	\$3,572,512	\$ 3,634,488	\$3,733,704	\$ (161,192)
Interest and penalty on property tax	27,660	-	27,660	20,000	20,000	7,660
Intergovernmental	4,010,678	-	4,010,678	4,068,979	4,068,979	(58,301)
Licenses and permits	22,955	-	22,955	9,100	9,100	13,855
Charges for service	910,409	-	910,409	824,640	868,640	41,769
Use of money and property	159,807	-	159,807	80,710	80,710	79,097
Miscellaneous	130,254	116,388	13,866	3,000	3,000	10,866
Total receipts	<u>8,834,275</u>	<u>116,388</u>	<u>8,717,887</u>	<u>8,640,917</u>	<u>8,784,133</u>	<u>(66,246)</u>
Disbursements:						
Public safety and legal services	1,518,776	-	1,518,776	1,559,600	1,661,357	142,581
Physical health and social services	500,856	-	500,856	541,678	541,678	40,822
Mental health	1,241,351	-	1,241,351	1,254,650	1,254,650	13,299
County environment and education	555,394	-	555,394	575,893	575,893	20,499
Roads and transportation	3,023,543	-	3,023,543	3,343,260	3,343,260	319,717
Governmental services to residents	295,559	-	295,559	295,961	304,436	8,877
Administration	953,238	-	953,238	926,155	1,057,708	104,470
Capital projects	1,106,242	123,127	983,115	1,065,000	1,065,000	81,885
Total disbursements	<u>9,194,959</u>	<u>123,127</u>	<u>9,071,832</u>	<u>9,562,197</u>	<u>9,803,982</u>	<u>732,150</u>
Deficiency of receipts over disbursements	(360,684)	(6,739)	(353,945)	(921,280)	(1,019,849)	665,904
Other financing sources, net	<u>426,054</u>	<u>26,054</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	65,370	19,315	46,055	(921,280)	(1,019,849)	1,065,904
Balance beginning of year	<u>3,537,902</u>	<u>94,491</u>	<u>3,443,411</u>	<u>2,787,788</u>	<u>2,787,788</u>	<u>655,623</u>
Balance end of year	<u>\$ 3,603,272</u>	<u>\$ 113,806</u>	<u>\$3,489,466</u>	<u>\$ 1,866,508</u>	<u>\$1,767,939</u>	<u>\$ 1,721,527</u>

See accompanying independent auditor's report.

SAC COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$8,834,275	\$ 144,092	\$8,978,367
Expenditures	<u>9,194,959</u>	<u>233,492</u>	<u>9,428,451</u>
Net	(360,684)	(89,400)	(450,084)
Other financing sources, net	426,054	-	426,054
Beginning fund balances	<u>3,537,902</u>	<u>840,640</u>	<u>4,378,542</u>
Ending fund balances	<u>\$3,603,272</u>	<u>\$ 751,240</u>	<u>\$4,354,512</u>

See accompanying independent auditor's report.

SAC COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$241,785. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; for the E911 System by the E911 Service Board; and for Disaster Services by the Sac County Emergency Management Commission.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted in any function, however, disbursements in certain departments exceeded the amount appropriated.

OTHER SUPPLEMENTARY INFORMATION

SAC COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

Schedule 1

	Special Revenue											
	Sheriff	County Recorder's Record Management	Drainage Districts	Sheriff's Reserve	Sheriff's K-9	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder's Electronic Transactions	Debt Service	Total
ASSETS												
Cash and pooled investments	\$ 25,949	\$ 19,103	\$ 113,806	\$ 1,906	\$ 1,831	\$ 1,137	\$ 491	\$ 92,689	\$ 166,446	\$ 152	\$ 144	\$ 423,654
Receivables:												
Property tax:												
Succeeding year	-	-	-	-	-	-	-	-	-	-	56,550	56,550
Accrued interest	515	16	-	-	-	-	-	231	-	-	-	762
Drainage assessments	-	-	6,344	-	-	-	-	-	-	-	-	6,344
Due from other governments	-	726	-	-	-	-	-	-	-	-	-	726
Total assets	<u>\$ 26,464</u>	<u>\$ 19,845</u>	<u>\$ 120,150</u>	<u>\$ 1,906</u>	<u>\$ 1,831</u>	<u>\$ 1,137</u>	<u>\$ 491</u>	<u>\$ 92,920</u>	<u>\$ 166,446</u>	<u>\$ 152</u>	<u>\$ 56,694</u>	<u>\$ 488,036</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ 21,936	\$ -	\$ -	\$ 568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,504
Interest payable	-	-	47,943	-	-	-	-	-	-	-	-	47,943
Deferred revenue:												
Succeeding year	-	-	-	-	-	-	-	-	-	-	56,550	56,550
Other	-	-	6,344	-	-	-	-	-	-	-	-	6,344
Total liabilities	<u>-</u>	<u>-</u>	<u>76,223</u>	<u>-</u>	<u>-</u>	<u>568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,550</u>	<u>133,341</u>
Fund balances:												
Reserved for:												
Drainage warrants	-	-	(51,588)	-	-	-	-	-	-	-	-	(51,588)
Future expenditures	-	-	95,515	-	-	-	-	-	-	-	-	95,515
Debt service	-	-	-	-	-	-	-	-	-	-	144	144
Unreserved	26,464	19,845	-	1,906	1,831	569	491	92,920	166,446	152	-	310,624
Total fund balances	<u>26,464</u>	<u>19,845</u>	<u>43,927</u>	<u>1,906</u>	<u>1,831</u>	<u>569</u>	<u>491</u>	<u>92,920</u>	<u>166,446</u>	<u>152</u>	<u>144</u>	<u>354,695</u>
Total liabilities and fund balances	<u>\$ 26,464</u>	<u>\$ 19,845</u>	<u>\$ 120,150</u>	<u>\$ 1,906</u>	<u>\$ 1,831</u>	<u>\$ 1,137</u>	<u>\$ 491</u>	<u>\$ 92,920</u>	<u>\$ 166,446</u>	<u>\$ 152</u>	<u>\$ 56,694</u>	<u>\$ 488,036</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Schedule 2

	Special Revenue											
	Sheriff	County Recorder's Records Management	Drainage Districts	Sheriff's Reserve	Sheriff's K-9	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder's Electronic Transactions	Debt Service	Total
Revenues:												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,697	\$ -	\$ -	\$ -	\$ 4,697
Charges for services	-	2,931	-	873	1,070	2,660	735	-	492	-	-	8,761
Use of money and property	1,074	174	-	44	46	8	-	825	-	6	-	2,177
Miscellaneous	-	-	116,387	-	-	-	-	-	-	-	-	116,387
Total revenues	1,074	3,105	116,387	917	1,116	2,668	735	5,522	492	6	-	132,022
Expenditures:												
Operating:												
Public safety and legal services	5,726	-	-	-	244	2,099	244	-	-	-	-	8,313
Governmental services to residents	-	1,471	-	-	-	-	-	-	-	2,575	-	4,046
Non-program	-	-	150,583	-	-	-	-	-	-	-	-	150,583
Capital projects	-	-	-	-	-	-	-	-	4,795	-	-	4,795
Total expenditures	5,726	1,471	150,583	-	244	2,099	244	-	4,795	2,575	-	167,737
Excess (deficiency) of revenues over expenditures	(4,652)	1,634	(34,196)	917	872	569	491	5,522	(4,303)	(2,569)	-	(35,715)
Other financing sources:												
Drainage district warrants	-	-	26,054	-	-	-	-	-	-	-	-	26,054
Total other financing sources	-	-	26,054	-	-	-	-	-	-	-	-	26,054
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,652)	1,634	(8,142)	917	872	569	491	5,522	(4,303)	(2,569)	-	(9,661)
Fund balances beginning of year	31,116	18,211	52,069	989	959	-	-	87,398	170,749	2,721	144	364,356
Fund balances end of year	\$ 26,464	\$ 19,845	\$ 43,927	\$ 1,906	\$ 1,831	\$ 569	\$ 491	\$ 92,920	\$ 166,446	\$ 152	\$ 144	\$ 354,695

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS
 AND LIABILITIES - AGENCY FUNDS
 JUNE 30, 2006

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments:										
County treasurer	\$ -	\$ 2,275	\$ 74,489	\$ 100,820	\$ 6,560	\$ 37,826	\$ 3,131	\$ 218,254	\$100,900	\$ 544,255
Other County officials	40,069	-	-	-	-	-	-	-	-	40,069
Receivables:										
Property tax:										
Delinquent	-	277	340	12,236	801	13,437	31	-	4	27,126
Succeeding year	-	126,298	177,484	5,425,813	287,829	1,921,988	179,427	-	54,103	8,172,942
Accounts	-	-	-	-	-	-	-	-	21,887	21,887
Due from other governments	-	-	-	-	-	-	-	-	263	263
Total assets	<u>\$ 40,069</u>	<u>\$ 128,850</u>	<u>\$ 252,313</u>	<u>\$ 5,538,869</u>	<u>\$ 295,190</u>	<u>\$ 1,973,251</u>	<u>\$ 182,589</u>	<u>\$ 218,254</u>	<u>\$ 177,157</u>	<u>\$ 8,806,542</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,223	\$ 14,343
Salaries and benefits payable	-	-	-	-	-	-	-	-	1,326	1,326
Due to other governments	<u>40,069</u>	<u>128,850</u>	<u>252,193</u>	<u>5,538,869</u>	<u>295,190</u>	<u>1,973,251</u>	<u>182,589</u>	<u>218,254</u>	<u>161,608</u>	<u>8,790,873</u>
Total liabilities	<u>\$ 40,069</u>	<u>\$ 128,850</u>	<u>\$ 252,313</u>	<u>\$ 5,538,869</u>	<u>\$ 295,190</u>	<u>\$ 1,973,251</u>	<u>\$ 182,589</u>	<u>\$ 218,254</u>	<u>\$ 177,157</u>	<u>\$ 8,806,542</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2006

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 29,077	\$ 120,977	\$ 220,514	\$ 5,307,973	\$ 348,397	\$ 1,957,372	\$ 169,407	\$ 220,592	\$ 170,040	\$ 8,544,349
Additions:										
Property and other County tax	-	126,146	178,674	5,417,104	287,400	1,922,307	179,754	-	16,719	8,128,104
E911 surcharge	-	-	-	-	-	-	-	-	86,880	86,880
State tax credits	-	8,633	10,597	379,156	24,883	167,024	11,123	-	115	601,531
Office fees and collections	215,047	-	-	-	-	-	-	-	28,243	243,290
Electronic transaction fee	-	-	-	-	-	-	-	-	2,925	2,925
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,665,586	-	2,665,586
Assessments	-	-	-	-	-	-	-	-	13,855	13,855
Trusts	213,929	-	-	-	-	-	-	-	-	213,929
Miscellaneous	773,753	-	-	-	-	-	-	-	33,491	807,244
Total additions	1,202,729	134,779	189,271	5,796,260	312,283	2,089,331	190,877	2,665,586	182,228	12,763,344
Deductions:										
Agency remittances:										
To other funds	105,174	-	-	-	-	-	-	191,412	-	296,586
To other governments	872,634	126,906	157,472	5,565,364	365,490	2,073,452	177,695	2,476,512	175,111	11,990,636
Trusts paid out	213,929	-	-	-	-	-	-	-	-	213,929
Total deductions	1,191,737	126,906	157,472	5,565,364	365,490	2,073,452	177,695	2,667,924	175,111	12,501,151
Balances end of year	\$ 40,069	\$ 128,850	\$ 252,313	\$ 5,538,869	\$ 295,190	\$ 1,973,251	\$ 182,589	\$ 218,254	\$ 177,157	\$ 8,806,542

See accompanying independent auditor's report.

SAC COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

Schedule 5

	Modified Accrual Basis				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:					
Property and other County tax	\$ 3,614,244	\$ 3,747,231	\$3,879,746	\$3,530,628	\$ 2,866,537
Interest and penalty on property tax	27,760	27,163	27,543	28,374	25,398
Intergovernmental	4,167,709	3,877,544	3,956,167	3,818,787	3,596,884
Licenses and permits	23,325	28,003	12,075	12,911	11,105
Charges for service	854,221	715,709	797,098	703,444	745,073
Use of money and property	161,936	124,587	102,371	114,815	123,943
Miscellaneous	129,172	292,656	477,364	193,574	503,406
Total	<u>\$ 8,978,367</u>	<u>\$ 8,812,893</u>	<u>\$9,252,364</u>	<u>\$8,402,533</u>	<u>\$ 7,872,346</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,385,775	\$ 1,255,893	\$1,379,201	\$1,367,992	\$ 1,411,496
Physical health and social services	492,304	472,069	601,221	625,728	624,352
Mental health	1,429,582	1,473,105	1,386,637	1,274,751	1,231,458
County environment and education	664,232	579,923	519,182	566,887	570,688
Roads and transportation	3,070,354	2,528,859	2,988,146	2,774,141	2,494,516
Governmental services to residents	300,480	303,009	299,634	290,975	263,614
Administration	941,489	797,857	779,160	735,531	971,608
Non-program	150,583	151,900	70,135	123,330	404,180
Debt service	-	9,249	21,504	63,320	24,911
Capital projects	993,652	427,433	617,009	416,221	459,578
Total	<u>\$ 9,428,451</u>	<u>\$ 7,999,297</u>	<u>\$8,661,829</u>	<u>\$8,238,876</u>	<u>\$ 8,456,401</u>

See accompanying independent auditor's report.

SAC COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Schedule 6

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching			
Grants for Food Stamp Program	10.561		\$ 4,534
U.S. Department of Transportation:			
Iowa Department of Transportation::			
Highway Planning and Construction	20.205	BROS-CO81-(49)-8J-81	249,841
		BROS-CO81-(48)-8J-81	5,531
			<u>255,372</u>
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act			
Requirements Payments	90.401		<u>103,620</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health			
Public Health Preparedness and			
Response for Bioterrorism	93.283	5885BT03	1,806
		5886BT03	13,265
		5885BT09	6,455
		5886BT09	12,489
Wisewoman		5886WW12	2,712
Iowa Breast and Cervical Cancer			
Early Detection Program		5886NB05	8,359
			<u>45,086</u>
Local Administration Expense Reimbursement	93.558		<u>5,428</u>
	93.596		<u>1,335</u>
	93.658		<u>2,749</u>
	93.659		<u>706</u>
	93.667		<u>3,567</u>
	93.778		<u>7,384</u>
Local Purchase Allocation Mental			
Health Block Grant	93.667		<u>53,118</u>

(Continued)

SAC COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Schedule 6
(Continued)

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
State Homeland Security Grant Program	97.004		\$ 36,243
State Homeland Security Grant Program (SHSGP I)			33,493
State Homeland Security Grant Program (SHSGP II)			109,312
			<u>179,048</u>
 Total			 <u>\$ 661,947</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sac County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Sac County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated September 21, 2006. The report on the governmental activities was adverse because capital assets and the related depreciation expense have not been recorded. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sac County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sac County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-(A and B)-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sac County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Sac County and other parties to whom Sac County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sac County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 21, 2006

Hunzelman, Putzler & Co.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Sac County:

Compliance

We have audited the compliance of Sac County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Sac County's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Sac County's management. Our responsibility is to express an opinion on Sac County's compliance based on our audit.

We conducted our audit of compliance in accordance with the U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sac County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sac County's compliance with those requirements.

In our opinion, Sac County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Sac County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sac County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Sac County and other parties to whom Sac County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Henzelman, Putzier & Co.

September 21, 2006

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) An adverse opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 - Highway Planning and Construction.
 - CFDA Number 90.401 - Requirements Payments to States.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sac County did not qualify as a low-risk auditee.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - The Board of Supervisors and the Department Heads continually strive to segregate the duties of the offices as limited staff will allow.

Conclusion - Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

II-B-06 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that a statement of capital assets be disclosed in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response - Limited funds and staff continue to slow the process of implementing an inventory of fixed assets.

Conclusion - Response accepted.

II-C-06 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change logins/passwords periodically.
- ensuring that only software licensed to the County is installed on computers.
- usage of the internet.

Also, the County does not have a written disaster recovery plan.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. Also, a written disaster recovery plan should be developed.

Response - Sections 7.4 and 7.5 of the Sac County Personnel Policy, approved October 31, 2006, address electronic communications and the use of county property. Additional policy will be developed as necessary.

Conclusion - Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

- II-D-06 Sheriff's Department Vehicle - A check was written in July, 2006, for a new vehicle, however, the check was apparently held for approximately two months before it was remitted to the vendor. Also, the only documentation available to support this payment was a copy of the invoice.

Recommendation - All checks written must be supported by original documentation and must be mailed immediately by the department preparing the checks and should not be returned to the departments requesting the payment.

Response - All department heads have been informed that no checks or warrants will be held after being written. This policy will be reviewed for possible inclusion in the county personnel policy handbook.

Conclusion - Response accepted.

- II-E-06 Public Health Deposits - We noted checks received by the Public Health Department are not always deposited on a timely basis.

Recommendation - All funds received by any department should be deposited immediately with the appropriate County official. In most cases this is the County Treasurer. This will help ensure that deposits are not misplaced and that they are recorded in the proper period.

Response - Timely deposits of all funds will be discussed at the next department head meeting.

Conclusion - Response accepted.

- II-F-06 Compensatory Time - The County's personnel policy states that employees may accumulate up to 100 hours of compensatory time. However, as of June 30, 2006 there were three conservation department employees and one ambulance department employee who have accumulated more than 100 hours.

Recommendation - The County should either pay the employees for their excess hours or allow employees to use these hours. The County could also amend the policy to allow more hours of compensatory time to be accumulated.

Response - The Board of Supervisors will review the compensatory time accumulated by Sac County employees with the department heads to insure that the 100-hour limit is maintained. An amendment to the personnel policy may be considered.

Conclusion - Response accepted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-06 Certified Budget - Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the administration function. Disbursements in certain departments exceeded the amount appropriated.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The Board and the budget director will review the current budget periodically to determine if an amendment is warranted.

Conclusion - Response accepted.

- III-B-06 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-06 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- III-D-06 Business Transactions - No business transactions between the County and County officials or employees were noted.

- III-E-06 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

- III-F-06 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, although the published minutes did contain a list of claims, this list did not show the purpose of each claim as required by Chapter 349.18 of the Code of Iowa and several Attorney General's opinions.

Recommendation - Published minutes should contain a list of all approved claims and the purpose of each claim.

Response - The list of claims is published with the board minutes pursuant to Iowa Code 349.18. The purpose of the claim is not listed in an effort to control the publication costs.

Conclusion - Response accepted.

- III-G-06 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- III-H-06 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Part III: Other Findings Related to Required Statutory Reporting: (Continued)

- III-I-06 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006, for the County Extension Office did not exceed the amount budgeted.